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*The Economic Situation  
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*The Corporative System*

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# THE ECONOMIC SITUATION IN ITALY

## THE CORPORATIVE SYSTEM

by

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*with the aid of the Research Staff of the Foreign Policy Association*

### INTRODUCTION

CONSERVATIVE critics of democracy and capitalism, rejecting the Soviet system as a remedy for our economic ills, exhibit increasing enthusiasm for the corporative order established by Mussolini as the only practicable alternative to revolution and chaos. They argue that Fascism has been conspicuously successful in solving the economic problems and alleviating the social maladjustments engendered by the world crisis, and advocate its imitation in the United States. Meanwhile, many liberals, equally dissatisfied with our economic institutions, attack various features of the New Deal as incipient Fascism, and fear that the Roosevelt administration, in alliance with the industrialists, will force the workers to accept a Fascist dictatorship under cover of national emergency. In view of this controversy, it is interesting to examine the principles of Fascist economic theory, the methods by which they have been carried into practice, and the extent to which Fascism has succeeded in protecting Italy against the shocks of the depression.

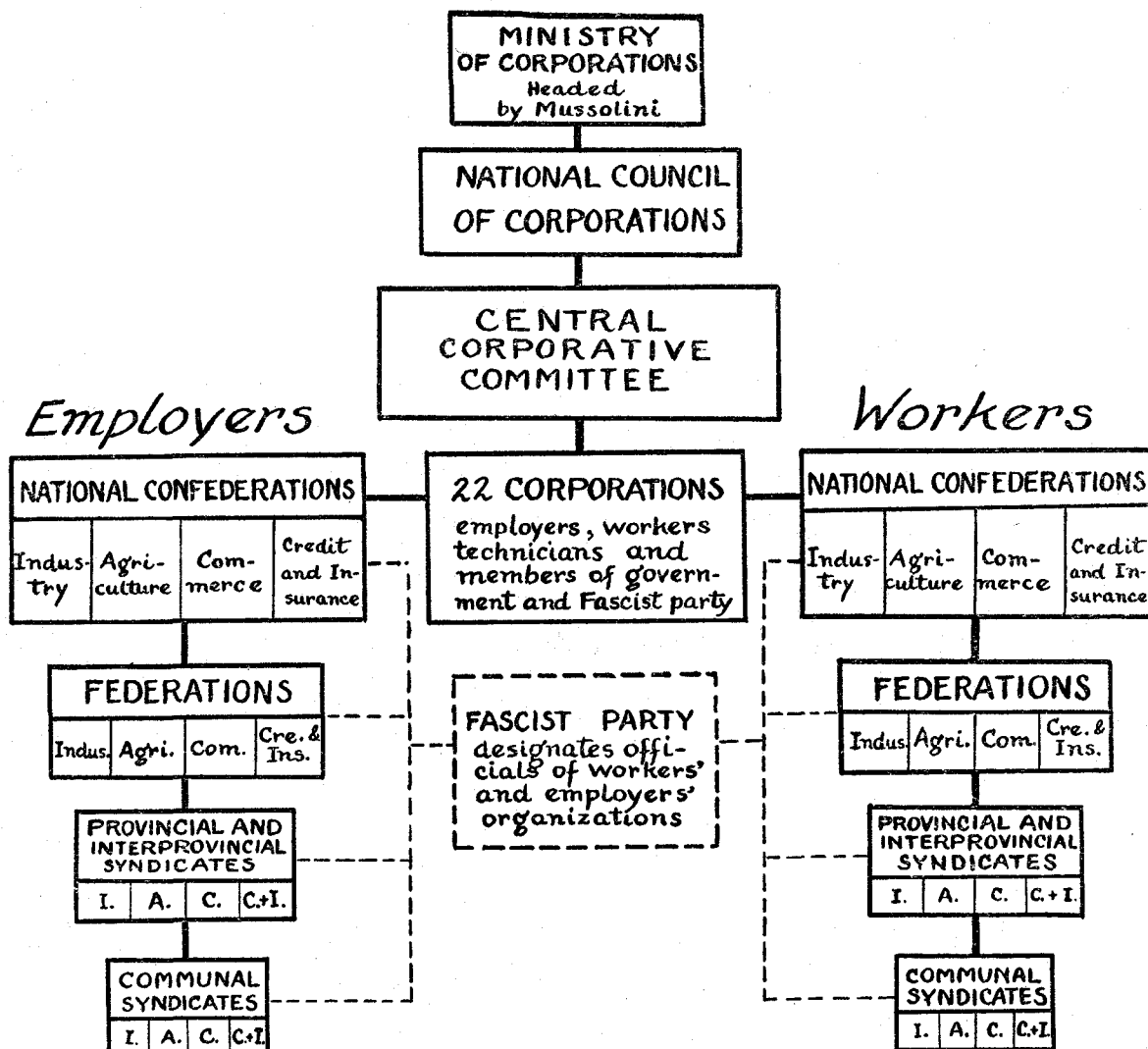
Fascism has its roots in the post-war history of Italy. When it came to power in 1922 it represented a reaction of the young generation against the defeatism of the Socialists, the impotence of parliament and the outcome of the World War, denounced by nationalists as a "mutilated victory." The middle class, from industrialists and landowners to small shopkeepers and white-collar workers, re-

garded Fascism at that time as a bulwark against the alleged menace of Communism.

For the pluralism of the modern democratic state, where the government is only one of several groups which claim the individual's allegiance, Fascism has substituted the totalitarian state, which embraces all the activities of individuals and subordinates them to national ends. The development of this state is governed by two basic factors which determine Fascist policy at home and abroad: Italy's lack of natural resources, and its desire, despite this handicap, to recover the position it occupied in the heyday of the Roman Empire. Fascism, essentially a dynamic movement, is hampered on all sides by basic material limitations. Unlike Bolshevism, which has Russia's natural wealth at its disposal, it can promise no tangible millennium. It undertakes the modest and ungrateful task of so husbanding Italy's resources as to reduce its dependence on the outside world and eventually achieve more equal distribution of wealth among the population. This task, according to Mussolini, can be accomplished only by a high degree of self-discipline and self-sacrifice on the part of all classes, and by complete subordination of individual and class interests to those of the state, as determined by the Fascist party. Only thus, in his opinion, can Italy equip itself for the rôle of world-leadership for which he believes it to be destined.

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The Italian Corporative System

## FASCIST ECONOMIC THEORY

The economic theory of Fascism, which rationalizes Italy's material circumstances, forms an integral part of the Fascist conception of the totalitarian state. In economic, as in political, theory Fascism rejects democracy, socialism, liberalism and unrestrained capitalism. The Fascists oppose both the laissez-faire policy of the liberal state and the all-embracing government control which exists in the Soviet Union. They point out that untrammelled economic competition is an abstraction which has never been translated into reality, and that state intervention, in greater or lesser measure, has occurred

throughout history. At the same time they believe that direct control of production and distribution by the state is not only wasteful and harmfully bureaucratic, but creates economic disorganization and widespread suffering.<sup>1</sup> Fascism contends that private initiative is the most valuable and efficient instrument for achieving the economic ends of the nation. Private interests, however, must be guided and harmonized by the state, in order that they may not conflict with the collective interests of society. Fascist economy, according to Mussolini, "places the

1. Benito Mussolini, *New York American*, December 11, 1934; Arrigo Serpieri, *Problemi della Terra nell' Economia Corporativa* (Rome, Diritto del Lavoro, 1929), p. 28.

accent" not on individual profits, but on collective benefits.<sup>2</sup>

Fascism "absolutely" denies the individualism of the eighteenth century, "denies the individual as an element preceding the state and independent of it and his pretended natural rights, including that of property."<sup>3</sup> The *homo oeconomicus* of Fascism is not an individual competing with other individuals for his own particular ends, but a member of the state, to which he owes economic allegiance. Private initiative must be exercised within the state, for the good of the state, and subject to the discipline imposed by the state. This union of individual and collective interests is to be realized by the corporative system, which achieves "the interpenetration and absolute identification" of the individual's will and initiative with the supreme ends of the state.<sup>4</sup>

In the totalitarian state labor, both manual and intellectual, constitutes a social duty, and all forms of property — whether factory, land, or stocks and bonds — are vested with social obligations. Every owner of property must use it for national ends. If he fails to do so, the state must intervene to protect collective interests, up to and including expropriation. There can be no limits to state intervention except those dictated by national interests. The state has not only the right but the duty to intervene, "supervising, safeguarding, stimulating, or even supplanting the private owner." Such intervention is justified by the objectives of the state, which are not only political and economic, but spiritual. The individual, whose life span is limited, looks only to the present, and may sacrifice the interests of future generations to the more ample satisfaction of his own desires. "The state, which lives through countless generations of men," is guardian of the nation's interests; "it has among its essential tasks the duty to guarantee that the future is not sacrificed to the present."<sup>5</sup>

Intervention by the state, according to Fascism, does not necessarily imply coercion. Forcible interference will become superfluous when all individuals have developed a "corporative consciousness" and voluntarily collaborate for the good of the nation. "Corporative consciousness" is in reality sublimated nationalism; to Fascists it means "to feel that, in every act of our life as Italians, Italy is present; that every one of our acts is conditioned by the interests of the fatherland . . . because for an Italian there

is only one way of being truly a man—to feel the interests of Italy as his own interests."<sup>6</sup>

The corporative system consists at present of separate Fascist organizations for workers and employers, linked by twenty-two corporations or guilds composed of workers, employers and technicians in particular categories of production appointed by their respective organizations subject to government approval, and headed by government and Fascist party officials representing the consumers. It is crowned by the National Council of Corporations, apparently destined to supplant the Chamber of Deputies, and by the Ministry of Corporations, of which Mussolini is head. The Fascists claim that this elaborate corporative structure assures self-government for Italian producers, and at the same time guarantees national interests against the effects of unregulated private competition. In practice the corporative system is controlled from top to bottom by the Fascist government. Workers and employers are prohibited from resorting to strikes or lock-outs in defense of their interests. The state, through the Ministry of Corporations and the labor courts, acts as arbiter in conflicts between capital, labor and consumers, and dictates both the terms of collective contracts and the decisions of labor courts.

Critics of Fascism usually argue that the corporative system merely serves to regiment production along lines determined by the Fascist government, and perpetuates existing inequalities and maladjustments without offering a program of social and economic improvement. In his recent speeches Mussolini has attempted to meet these criticisms by declaring that the corporative system has two main objectives — to achieve "a higher social justice for all the Italian people" and to strengthen Italy "for expansion in the world."<sup>7</sup> He has defined social justice as "secure work, a fair salary, a decent home . . . and the possibility to develop and improve incessantly."<sup>8</sup> The workers, moreover, "must come ever more intimately to know the productive process and to participate in its necessary discipline."<sup>9</sup> If the nineteenth century "was the century of the power of capital, the twentieth century is that of the power and the glory of labor." If the nineteenth century achieved the equality of men before the law, the twentieth must establish "the equality of men before labor, conceived as a duty and right, as a creative joy which must exalt and ennoble life, not mortify and depress it." Such basic equality, however, does not exclude, "in fact it demands" the clearest dif-

2. Benito Mussolini, speech of October 6, 1934 at Milan, *Corriere della Sera*, October 7, 1934.

3. Serpieri, *Problemi della Terra nell' Economia Corporativa*, cited, p. 53.

4. Ugo Spirito, *La Critica della Economia Liberale* (Milan, Treves, 1930), p. 97 et seq.

5. Serpieri, *Problemi della Terra nell' Economia Corporativa*, cited, p. 27.

6. *Ibid.*, p. 62.

7. Speech of November 10, 1934 inaugurating the twenty-two corporations. *Corriere della Sera*, November 11, 1934.

8. Speech of October 6, 1934, cited.

9. *Ibid.*



ferentiation between groups, or hierarchies, not on the basis of wealth but on that of "functions, merit, responsibility."

Mussolini has not yet indicated how his concept of social justice is to be realized, beyond stating that the corporative state must solve the problem of distribution of wealth "in such a way that we should no longer witness the illogical, paradoxical, and at the same time cruel existence of misery in the midst of abundance." He has warned that miracles have no place in economics, and has rejected long-range economic planning, declaring that "the future cannot be fixed like an itinerary or a time-table." Italy, according to Mussolini, can solve its problems

only by a gradual transition from existing forms of capitalism to a new corporative order. It is premature, in his opinion, to predict the effect which this order may have on production and distribution.<sup>10</sup> His ultimate aim, however, appears to be a form of state capitalism, under which the state will become "the supreme and sole proprietor and administrator of all the economy of the nation."<sup>11</sup> He has not yet divulged the formula by which he expects to reconcile state capitalism with private initiative and private property. It is conceivable, however, that if such a formula is evolved, it will reveal that Mussolini has not altogether abandoned the socialist ideas which he held before the World War.

### FASCIST SYNDICAL ORGANIZATION

The growth of industry in Northern Italy in the first decade of the twentieth century was accompanied by the emergence of an industrial proletariat. The Italian workers, employed chiefly in small-scale industries, were for the most part poorly paid and inadequately organized. The Socialist party, which had at first drawn its strength from the small bourgeoisie and the intellectuals, sought to improve the lot of the workers by organizing them in Socialist labor unions, the most important of which was the General Confederation of Labor. A similar attempt to solve the social and economic problems created by industrialization was made by Catholic labor unions. Meanwhile the syndicalist movement, which had originated in France and had been elaborated into a philosophic system by Georges Sorel,<sup>12</sup> won many adherents among Italian Socialists.

The outcome of the World War, regarded in Italy as a Pyrrhic victory, and the establishment of the Soviet government in Russia strengthened the syndicalist elements in the Socialist party, which demanded the organization of a general strike and the overthrow of the government and inaugurated a period of industrial unrest. It is estimated that in 1920 there were 1,881 industrial strikes, in which 1,267,953 workers participated, and 189 agricultural strikes, involving 1,045,732 workers. When the metallurgical industrialists of Lombardy and Piedmont refused in 1920 to raise wages and threatened a lockout, the workers first planned to declare a general strike, and then proceeded to occupy the factories. The government, adhering to the liberal policy of laissez-faire, made no attempt to interfere in these conflicts between workers and industrialists, which threatened to dislocate the economic life of the country, already impaired by the war. It was with

the avowed purpose of re-establishing social order and assuring peaceful economic development that the Fascist party, formed in 1919 by Benito Mussolini, undertook a vigorous campaign against Socialists and Communists; and it was this objective which won for Fascism the support of the propertied classes—industrialists and landowners—irritated and alarmed by constant labor disturbances. By 1921, however, the workers' revolutionary impetus had spent itself. In 1922, on the eve of the March on Rome, only 89 industrial strikes occurred, supported by 79,298 workers, and 23 agricultural strikes, involving 25,146 workers.<sup>13</sup> Italy appeared to be reaching a stage of economic stabilization when, on October 29, 1922, King Victor Emmanuel summoned Mussolini to form a cabinet.

On assuming the office of Premier, Mussolini declared that the Fascist government would undertake the "guardianship" of all economic interests of the nation, would tolerate no conflicts between workers and employers resulting in an interruption of the country's productive life, and would not favor one group at the expense of the other.<sup>14</sup> The Fascist state, he said, rejected the laissez-faire policy of the "agnostic" liberal state, and would interfere whenever economic conflicts threatened to impair national interests.

The program of the Fascist party, adopted in 1922, provided for the establishment of syndicates and "corporations,"<sup>15</sup> which were intended to be an expression of national solidarity as well as a means of developing production. At that time Fascism favored

10. Speech of November 10, 1934, cited.

11. *New York American*, December 11, 1934.

12. Georges Sorel, *Réflexions sur la Violence* (Paris, Rivière, 5th edition, 1921).

13. Ivanoe Bonomi, *Dal Socialismo al Fascismo* (Rome, Formigini, 1924); Carmen Haider, *Capital and Labor under Fascism* (New York, Columbia University Press, 1930), p. 25; Gaetano Salvemini, *The Fascist Dictatorship in Italy* (New York, Holt, 1927); Luigi Sturzo, *Italy and Fascism* (London, Faber Gwyer, 1926).

14. Speech in the Chamber of Deputies, November 16, 1922. Benito Mussolini, *Discorsi della Rivoluzione* (Milan, Imperia, 1923), p. 161-102.

15. Until 1925 the Fascists used the term "corporation" to describe a national federation of syndicates.

syndicalism not as a means of improving the economic position of the workers, but as a method of organizing the labor elements within its own ranks.<sup>16</sup> Both in theory and practice Fascist syndicalism is the direct antithesis of the revolutionary syndicalism which exists in such countries as France and Spain. This antithesis has been clearly stated by a Fascist writer who points out that revolutionary syndicalism negates the nation-state exalted by Fascism; affirms the class struggle, while Fascism attempts to achieve the collaboration of all classes for the good of the state; envisages the general strike, which is prohibited by Fascism; and demands association on a class rather than on a political basis, in contrast to Fascism, which subordinates the interests of all classes to those of the Fascist party.<sup>17</sup>

The Fascist syndicates did not at first attract industrial workers, the majority of whom remained affiliated with Socialist and Catholic labor unions. The government, having failed to reach an understanding with the General Confederation of Labor, proceeded to adopt a series of measures directed at the elimination of all but Fascist syndicates. At the invitation of Mussolini a meeting of Fascist workers' organizations and representatives of employers was held in Rome at Palazzo Vidoni on October 2, 1925, when the two groups concluded a pact by which the employers recognized Fascist syndicates as the workers' sole representatives. The General Confederation of Labor denounced this pact on the ground that it impaired the interests of the workers. On November 25, 1925, however, factory committees were declared illegal and their functions were entrusted to Fascist syndicates.<sup>18</sup> The system of syndicates was established by the law of April 3, 1926, supplemented by a decree of July 1, 1926, while the relations of workers and employers with each other and with the state were defined by the Charter of Labor, promulgated on April 21, 1927.

#### THE CHARTER OF LABOR

The Charter of Labor<sup>19</sup> is regarded by Fascist spokesmen as the constitution of a new, corporative Italian society.<sup>20</sup> It declares that the nation is an organism having a life, ends and means superior to those of the separate individuals or groups which compose

it. Labor in all forms, intellectual, technical and manual, is regarded as a social duty and, as such, is to be safeguarded by the state. The process of production is unitary from the national point of view, and its aims are the welfare of the producers and the growth of the nation's power.

The Charter of Labor regards private initiative in the field of production as the most useful and effective instrument for the achievement of national ends. Private organization of production, however, is a national function, and organizers of all enterprises are therefore responsible to the state. The latter intervenes in production only when private initiative is lacking or insufficient, or when political interests are at stake. Such intervention may assume the form of control, encouragement or direct management.

Professional or syndical organization is free; only those syndicates which are recognized and controlled by the state, however, have the right to represent the category of workers or employers for which they are established. The conflict of interests between workers and employers is recognized, but must be subordinated to the higher interests of production, and regulated by means of collective labor contracts.

In addition to this general statement, the Charter of Labor sets forth in detail the principles which are to govern the organization of syndicates, the conclusion of collective labor contracts, the establishment of employment agencies, and various measures for the education and insurance of workers.

The basic unit of the corporative system is the syndicate—a term by which the Fascists designate both associations of employers and unions of workers. The state recognizes only one syndicate for each territorial unit—commune, province or region. Syndicates of employers and workers must always be separate; mixed syndicates are not accorded recognition. A syndicate is recognized when it contains 10 per cent of the workers engaged in a given kind of work or, in the case of employers, when its members give work to at least 10 per cent of the workers engaged in that industry; when, in addition to economic activities, it undertakes the assistance, instruction, moral and political education of its members; and when its officials give a guarantee of ability, morality and strong patriotic convictions. The percentage of membership was set at a relatively low figure on the ground that Italian labor is as yet inadequately organized, especially in the agrarian South, and that the adoption of a higher percentage would have hampered the establishment of syndicates for certain categories of workers.<sup>21</sup> Membership in syndi-

16. Haider, *Capital and Labor under Fascism*, cited, p. 57.

17. C. Gangemi, as cited by François Perroux, *Contribution à l'Étude de l'Économie et des Finances de l'Italie depuis la Guerre* (Paris, Giard, 1929), p. 175, et seq.

18. L. Rosenstock-Franck, *L'Économie Corporative Fasciste en Doctrine et en Fait* (Paris, Gamber, 1934), p. 39.

19. For the text, cf. *Gazzetta Ufficiale del Regno d'Italia*, April 30, 1927, p. 1794.

20. *L'Organisation Syndicale et Corporative Italienne* (Rome, Imprimerie de la Chambre des Députés de Charles Colombo, 1930), p. 25; Augusto Turati and Giuseppe Bottai, *La Carta del Lavoro* (Rome, Il Diritto del Lavoro, 1929); Giuseppe Bottai, *Esperienza Corporativa* (Rome, Il Diritto del Lavoro, 1929); Fausto Pittigliani, *The Italian Corporative State* (New York, Macmillan, 1934).

21. *L'Organisation Syndicale et Corporative*, cited, p. 53.

cates is open to all citizens who have reached the age of eighteen and have always given evidence of "good moral and political conduct from the national point of view."<sup>22</sup>

Recognition of a professional association is effected by royal decree, on proposal of the competent minister. Recognition is refused whenever it appears inopportune for reasons of a political, economic or social nature.<sup>23</sup> Under no circumstances is recognition accorded to associations in any way connected with international organizations—thus barring the existence of Socialist labor unions.

### FUNCTIONS OF THE SYNDICATES

The recognized syndicate represents all persons in the category for which it is established, whether members or not. It has the right to conclude collective labor contracts, to charge syndical dues and discipline its own members, and to appear before labor courts on their behalf. Only regularly enrolled members, however, may participate in the activities of the syndicate. In addition to the recognized syndicates, the law permits the organization of *de facto* associations by various professions; no such associations actually exist.

The syndicates, following recognition, are subject to the control of the provincial prefect, if their activities are restricted to the boundaries of a single province, or to that of the Ministry of Corporations, if they cover two or more provinces. Ten per cent of the dues charged by each syndicate is set aside as its contribution to the expenses of the Ministry of Corporations.

The communal syndicates of workers and employers are grouped into provincial and inter-provincial syndicates, which in turn are grouped into federations. The federation holds plenary meetings only once every three years, its duties being performed in the interval by its council, executive committee, and president or secretary.<sup>24</sup> The federation is responsible for protecting the interests of the categories of production it represents. It "encourages their technical and economic development in harmony with the interests of the nation" and frames collective contracts of more than local significance.<sup>25</sup> Both syndicates and federations are theoretically elective bodies, "in order that they may preserve their characteristic feature as the direct exponents of the views of the various

groups of producers."<sup>26</sup> In practice all syndical officials are designated by the Fascist party, subject to ratification by the Ministry of Corporations, and may be removed whenever their work proves unsatisfactory to party leaders. This procedure is designed to assure "that no persons are summoned to fulfil any office within the syndical organization, unless they possess—in addition to such general qualifications of moral integrity and of capacity as are indispensable—that also of absolute political loyalty; and further unless their productive activities are in complete conformity with the principles of the Fascist corporative organization."<sup>27</sup>

The federations are organized into nine<sup>28</sup> national confederations, eight of which represent employers and workers respectively in industry, agriculture, commerce, credit and insurance, while the ninth represents professional men and artists. The confederation serves as a link between the syndicates and the government, and is regarded as semi-public in character. For that reason both the president and the council of the confederation are appointed by the government.<sup>29</sup>

Critics of Fascism contend that designation of syndical officials by the Fascist party definitely discriminates against the workers. They declare that, while neither employers nor workers are free to elect their syndical leaders, the former are headed by officials who may be said to represent them in the sense that they are chosen from the employer class. By contrast, the workers' organizations are usually headed by men who are not selected from the ranks of the workers and consequently neither represent them nor have their interests at heart.

The Fascist syndicates, based on economic interests, were directly linked with governmental and party institutions by the electoral law of May 17, 1928, which provided that the syndicates were to designate eight hundred of the one thousand candidates for the Chamber of Deputies, the other two hundred being nominated by various "cultural, educational, charitable or propagandist" associations. From the one thousand names thus presented, the Fascist Grand Council selects a list of four hundred names, which is then submitted to the voters for a "plebiscite." This electoral law has been twice put to the test—in 1929 and 1934. Its operation has been criticized on the ground that the same number of candidates is assigned to employers' and workers' confederations, with resulting discrimination against the workers.

22. Law of April 3, 1926 regarding the legal regulation of collective relations of labor, *Gazzetta Ufficiale*, April 14, 1926, p. 1590; decree of July 1, 1926, *ibid.*, July 7, 1926, p. 2930, Article 1.

23. Decree of July 1, 1926, Article 13.

24. The title "president" is applied to the chief officer of employers' organizations, and that of "secretary" to workers' organizations. "Solely out of respect for tradition, since the chiefs of the syndical associations all occupy the same rank as regards dignity, responsibility and functions." Ministry of Corporations, *News Notes on Fascist Corporations* (Rome), August-September 1934, p. 10.

25. *Ibid.*

26. *Ibid.*

27. *Ibid.*

28. Until 1934, when the corporations were established, there had been four additional confederations, of employers and workers respectively, in maritime and aerial transportation, and land transportation and inland navigation. These four confederations have been abolished.

29. *News Notes on Fascist Corporations*, cited.



Thus in 1934 the employers' confederation of agriculture, composed of 662,692 members, named 96 candidates, the number assigned to the workers' confederation, composed of 1,926,931 members. Critics of the electoral procedure also contend that it fails to give the various economic interests a representation corresponding to their actual weight in the life of the country. Thus agriculture, which forms the occupation of more than 50 per cent of the population, is accorded less than one-fourth of the total number of candidates.<sup>30</sup>

#### THE NATIONAL COUNCIL OF CORPORATIONS

The law of April 1926 regarding syndical organization envisaged the eventual establishment of corporations (*corporazioni*),<sup>31</sup> which were to serve as liaison organs between employers' and workers' organizations in each category. No steps toward the creation of these corporations were taken at first, and the functions they were intended to perform were temporarily entrusted in 1931 to the National Council of Corporations which had been established the previous year.<sup>32</sup> This council, of which Mussolini is president, is composed of persons designated by syndical and other organizations, as well as members of the cabinet and secretaries of the Fascist party. It is designed to act as a coordinating and consultative body, charged with the task of achieving unity in national production, and ranks with the Fascist Grand Council and the Chamber of Deputies as a supreme organ of the state.<sup>33</sup> Actually, however, all important measures on economic, financial and social matters have emanated from the political organs of the government—Premier Mussolini, the Ministry of Corporations, and the Fascist Grand Council—not from the National Council of Corporations, which frequently is not even consulted regarding such legislation. The Ministry of Corporations, headed by Mussolini, regulates and coordinates the work of the syndicates and supervises the development of national production, and has the final decision in labor disputes. The expenditures of this ministry are partly included in the state budget, and partly financed from a special fund consisting of syndical contributions.

#### THE CORPORATIONS

With its parallel but separate organizations of employers and workers, topped by

the National Council and Ministry of Corporations, the corporative system was like a structure composed of pillars and roof, but lacking all internal means of communication. On July 1, 1933 Mussolini announced his intention to complete the structure, and on November 13 he introduced a resolution in the National Council of Corporations providing for the establishment of "corporations of category" to be headed by the Council.<sup>34</sup> These corporations were defined as "the instrument which, under the aegis of the state, carries out the integral, organic and unitary discipline of productive forces, with a view to the development of the wealth, the political power and the welfare of the Italian people." Three principal functions were assigned to the corporations: they were to act as advisory bodies to the government, conciliate disputes between capital and labor, and regulate wages and production costs within their respective categories, as well as relations between the several categories. The National Council of Corporations was to be charged with legislative authority in the economic field, while the Fascist Grand Council was entrusted with all decisions as to future developments of a political and constitutional nature which might arise from the practical operation of the corporative system.

The nature of these developments was indicated by Mussolini on November 14, 1933, when he told the National Council of Corporations that, as political liberalism had been buried in 1923 with the creation of the Fascist Grand Council, so "today we bury economic liberalism." "It is perfectly conceivable," he declared, "that a National Council of Corporations will supplant *in toto* the present Chamber of Deputies," which "has never pleased me," and is "alien to our mentality, to our Fascist passion."<sup>35</sup>

The resolution of November 13, 1933, which gave Mussolini, as president of the National Council of Corporations, full and direct control of the corporative system, was embodied in a law approved by the Grand Council on December 10, 1933, by an overwhelming majority of the Senate on January 13, 1934, and by the Chamber of Deputies on January 18. On May 9 Mussolini announced the formation of twenty-two corporations representing every phase of Italy's economic life, and grouped according to three main divisions of production—industry, agriculture, and activities productive of services, such as credit, insurance, professions and transportation. On November 10, in a solemn ceremony at the Campidoglio in the hall of Julius Caesar, who in the words of an Italian editorial "was also a great social re-

30. Haider, *Capital and Labor under Fascism*, cited, p. 255. For further details regarding Fascist electoral procedure, cf. V. M. Dean, "Fascist Rule in Italy," *New Governments in Europe* (New York, Thomas Nelson, 1934), p. 80 *et seq.*

31. The Italian term *corporazione* can best be translated into English as guild.

32. *Gazzetta Ufficiale*, March 28, 1930.

33. Cf. "Il Consiglio delle Corporazioni," *Corriere della Sera*, September 25, 1929; Report of Giuseppe Bottai, then Minister of Corporations, regarding the law on the National Council of Corporations, *ibid.*, November 23, 1929.

34. For the text of this speech, cf. *Corriere della Sera*, November 14, 1933.

35. For the text of this speech cf. *Corriere della Sera*, November 15, 1933.



former,"<sup>36</sup> *Il Duce* inaugurated the twenty-two corporations, whose representatives he greeted as "a revolutionary assembly." The purpose of the corporations, he said, is to achieve social justice at home and increase "the total strength of the nation for its expansion in the world." Reiterating that the world crisis is a crisis of the existing economic system, he declared that it is necessary "to advance courageously toward the creation of a new system," emphasizing that the corporations are a point of departure, not a point of arrival.<sup>37</sup>

The twenty-two corporations, each of which has Mussolini as president and members of either the government or the Fascist party among its officers, are composed of representatives of employers, workers and technicians in the following branches of production: cereals; fruits, vegetables and flowers; viticulture and wine; beets and sugar; edible oil; husbandry and fisheries; forestry, lumber and wood; textile fibers and products; metals and metallurgical engineering; chemical trades; water, gas and electricity; paper and printing; building trades; clothing trades; mining and quarrying; glass and pottery; credit and insurance; arts and professions; sea and air transport; inland communications; theatres and public entertainments; and hotels and restaurants, grouped into a corporation of public hospitality.<sup>38</sup> The members of these corporations, totaling 824, form the Central Corporative Committee which, according to a remark made by Mussolini on November 10, may eventually usurp the place of the National Council of Corporations, and fall heir to the functions of the Chamber of Deputies. Five women—representing silk cocoon workers, dressmakers, glove factory employers, trained nurses, and midwives—are members of this committee, the first time in the history of Fascism that women have been admitted to a body of national importance.

Each corporation is vertical in organization, containing representatives of all stages of production in its particular category, from raw material to distribution of the finished product. Thus the corporation of textile fibers and products includes representatives of employers, workers and technicians in wool growing, woolen and worsted, silk breeding, cocoon raising, silk reeling and silk throwing, silk weaving, rayon mills, linen and hemp works, jute, textile dying and printing, carpet making, and wholesale and retail textile merchants, as well as technical experts representing agriculture, chemical

trades, artists and designers, and cooperative cocoon drying plants.

Mussolini, as president, will submit to each corporation, through the appropriate government officials, the program of study he wants it to undertake.<sup>39</sup> The specific problems presented to the textile corporation, for example, include a study of means to increase silk exports, the changes necessary in the cotton industry to meet Japanese competition, and means of utilizing hemp and other Italian fibers as substitutes for imported raw materials.<sup>40</sup> Each corporation is to analyze the manufacturing costs of its products, reduce them whenever possible by rationalization, and set a "fair price," which must assure a margin of profit for the employer and proper remuneration for the worker without overcharging the consumer, and at the same time permit Italian exports to compete successfully on world markets. It is expected that the proposals and suggestions made by the corporations, all composed of experts, will serve as the basis of legislation with respect to their particular categories of production. Critics of Fascism point out that the program of study presented to the corporations is limited to technical questions and contains no reference to the objectives of social justice proclaimed by Mussolini in October 1934—"secure work, a fair salary, a decent home."

While the establishment of the corporations marks the end of laissez-faire, which in Fascist opinion is inextricably associated with decadent capitalism and outworn democracy, the Fascist government denies that it implies the end of private initiative. Production, according to Mussolini, remains in the hands of self-governing groups of producers, both employers and workers.<sup>41</sup> Private initiative has been merely translated from the individual to the corporate plane. The state, as in the past, will intervene in economic activities only when the corporations have failed to harmonize conflicting economic interests, and will then act as the representative of the great unorganized mass of consumers—the collectivity of citizens. By its participation in the work of each corporation, however, the government will actually exercise a decisive influence on the regulation of prices, profits and wages. This stage in corporative development is regarded by Mussolini as experimental,<sup>42</sup> and he apparently anticipates further adjustments designed to assure a more equal distribution of wealth and closer participation by workers in the process of production.<sup>43</sup>

39. *Ibid.*, November 10, 1934.

40. For a detailed list of the questions presented to the corporations, cf. *ibid.*, November 11, 1934.

41. Speech of October 6, 1934, cited.

42. Speech of November 10, 1934, cited.

43. Speech of October 6, 1934, cited.

36. "Un Fatto Storico," *Corriere della Sera*, November 11, 1934.

37. For the text of this speech, cf. *ibid.*

38. For a detailed list of the members of each corporation, cf. *Corriere della Sera*, November 9, 1934.

## COLLECTIVE LABOR CONTRACTS

The effect which further developments in the corporative system may have on relations between capital and labor is not yet clear. At the present time these relations are regulated by collective labor contracts. The recognized syndicate alone has the right to conclude such contracts, which are applicable to all persons in the category it represents, whether members or not. These contracts are binding in all cases, except when the terms of a contract made by an individual with his employer are more favorable than those of a collective contract. The Charter of Labor provides that each collective contract must cover the subjects of labor discipline, period of probation, scale and payment of wages, hours of work, vacations, and conditions of dismissal. No minimum wage is established by the Charter, which declares that wages in all cases must be determined by collective contracts. The government undertakes to collect and publish statistical data on conditions of work and production, the situation of the financial market and variations in the standard of living of the workers, which may serve as a criterion for determination of wages.

Collective contracts must be made in writing, approved by the Ministry of Corporations and published; in the case of many contracts the entire text has been drafted by the Ministry.<sup>44</sup> Workers and employers are legally responsible for fulfilment of the con-

tracts, and may be punished by a fine in case of violation. It is estimated that 486 collective contracts of inter-provincial or national application and 6,258 provincial contracts have been concluded since 1927.<sup>45</sup> The largest number of contracts have been made in industry, which is more highly organized than other branches of production, notably agriculture.

Fascism, as has already been pointed out, repudiates the idea of the class struggle. Measures of class self-defense, such as strikes and lockouts, are strictly prohibited, and are subject to punishment by heavy fines. Should strikes and lockouts involve recourse to force, the participants may be condemned to imprisonment. Organizers of strikes and lockouts are in all cases subject to imprisonment for a period of from one to two years. Suspension of public services is regarded as a crime against the state.<sup>46</sup> So far as can be ascertained, no attempts have been made to organize large-scale strikes, although workers have occasionally suspended operations in protest against the failure of employers to apply collective labor contracts. The provincial courts have usually refused to regard such stoppages as strikes.<sup>47</sup> According to official Fascist information, only two lockouts and 153 strikes involving 7,750 workers occurred during the period 1926-1930, none of which had a political character.<sup>48</sup>

## LABOR COURTS

Workers and employers are obliged to resort to the procedure of conciliation or to the courts for settlement of their conflicts. The Ministry of Corporations must in every case attempt to effect a reconciliation between the two groups. Only when this procedure has failed can the dispute be submitted to a special section of one of Italy's sixteen courts of appeals, acting as a labor court. This section is composed of three magistrates and two citizens acquainted with the technical aspects of labor and production.

The labor courts have jurisdiction over all collective, as distinguished from individual, conflicts between workers and employers. They are empowered to apply the rules of collective contracts and, in the absence of such contracts, to establish norms for the regulation of labor conditions. The Ministry of Corporations is always represented in the

labor courts, and its opinion has a decisive influence on the verdicts. These verdicts are binding, and employers or workers who refuse to abide by them are subject to fine and imprisonment. Individual labor conflicts must be submitted to ordinary courts, assisted by two experts, one selected from the employers and one from the workers.<sup>49</sup>

During the period 1927-1933 the Ministry of Corporations examined 498 disputes involving collective labor contracts; 34 collective disputes were submitted to the labor courts; and 145,255 individual disputes came before the ordinary courts.<sup>50</sup> Of the disputes referred to the Ministry of Corporations two-thirds, or 347, concerned industry, 74 agriculture, 25 commerce, 21 land transportation, 18 banking, and 13 sea and air transportation. In 68 per cent of these disputes an agreement was reached at the ministry;

44. "The Settlement of Labour Disputes in Italy," *The International Labour Review*, October 1934, p. 509.

45. Ministry of Corporations, *News Notes on Fascist Corporations*, March 1934, p. 4.

46. In addition to telephone, telegraph, railway, gas, water and other necessities of modern life, public services are made to include the work of physicians, lawyers, engineers, architects, land surveyors and agricultural experts. Decree of July 1, 1926, Article 98.

47. L. Rosenstock-Franck, *L'Economie Corporative Fasciste en Doctrine et en Fait*, cited, p. 205-206.

48. Bruno Biagi, "La Disciplina del Lavoro in Regime Corporativo," *Corriere della Sera*, November 29, 1934.

49. Decree of February 23, 1928 Regarding the Settlement of Individual Labor Conflicts.

50. Ministry of Corporations, *News Notes on Fascist Corporations*, March 1934, p. 1; "The Settlement of Labour Disputes in Italy," cited, p. 509.

19 per cent was postponed for further consideration, of which many were subsequently resolved either by a settlement outside the ministry or by a voluntary agreement to abandon the dispute; and 13 per cent remained unsettled. The majority of the disputes involved the question of wages, especially wage and salary reductions effected during the depression. The settlement usually represented a compromise between the demands of workers and employers, and was drafted by the Ministry of Corporations, frequently after a detailed inquiry into the conditions of the industry concerned.

Of the 34 collective disputes brought before the labor courts, most of which are also concerned with wages and conditions of work, 14 had been decided by November 1933.<sup>51</sup> The decisions of the labor courts have usually been more favorable to the workers than the proposals made by employers, but have nevertheless involved heavy sacrifices by the former. Thus, when the officials of the rice weeders' syndicate protested in 1931 against a 35 per cent reduction in wages proposed by agriculturists and suggested a 20 per cent cut, the Rome Labor Court fixed the wage reduction at 28 per cent. Like the Ministry of Corporations, the labor courts seek to effect a compromise on the basis of a study of cost and methods of production, cost of living, and other factors. In 1930 the Trieste Labor Court fixed the cost of living index number which was to serve as a basis for wage reduction. The Venice Labor Court decided in 1931 that the total remuneration for work performed in the course of a year "must not be less than the minimum needed for the normal requirements of life." It failed to specify this minimum, however, stating only that "it must represent the lowest limit below which wages cannot be allowed to fall." Critics of

Fascism admit that the labor courts have on the whole been distinctly more favorable to workers than to employers, but argue that the judges are not in a position to ascertain the real cost of production or fix a "fair wage," and that their verdicts inevitably represent a compromise dictated by political, not economic, considerations.<sup>52</sup>

Of the 145,255 individual disputes submitted to labor magistrates, 29,144 were settled during the preliminary conciliation proceedings; 86,505 were settled by the courts; 9,449 are still pending; and 20,191 were either abandoned by the parties or settled by amicable agreement.<sup>53</sup> The delays in settling individual disputes have been criticized by Fascist labor leaders, who have demanded that the procedure be made more rapid and flexible and less expensive.<sup>54</sup> The procedure was reformed on May 21, 1934 by a decree which laid down definitive rules for the settlement of individual labor disputes.<sup>55</sup>

#### CRITICISM OF FASCIST LABOR POLICY

The two main criticisms directed against the syndical and corporative organization of Fascism are, first, that the free association of workers for the defense of their legitimate interests has been replaced by a highly bureaucratized system subject to the control of the state which is ruled by a single political party; and, second, that workers' syndicates have been used by the government and the employers chiefly to impose wage cuts on the workers. Anti-Fascists assert that the practical exclusion of all but legally recognized syndicates from participation in the economic life of the country forces the workers to join these syndicates, irrespective of their views regarding Fascism. Collective labor contracts, they argue, tend to perpetuate, rather than improve, existing conditions of work, and to reduce the status of all workers, whatever their ability, to the same economic level. Critics of Fascism claim, moreover, that the labor courts in no sense achieve the practical results formerly attained by means of labor agitation and strikes, since their verdicts are dictated by Fascist interests, which do not necessarily coincide with those of the workers. Finally, it is claimed that the Fascist syndical organization, highly centralized and subject to close supervision by government organs, prevents the development of leadership and initiative on the part of the workers, and thus places them at a disad-

51. The Rome Labor Court has rendered decisions in the following five cases: wages of rice weeders in the provinces of Pavia, Novara, Cremona and Vercelli (July 19, 1927); wages and other items in the remuneration of persons engaged in shipping and land transportation (February 18, 1928); wages of rice weeders in the provinces of Milan, Pavia, Vercelli, Alessandria and Crema (June 18, 1931); the method of cancelling contracts governed by collective agreements between deck officers and the Italia and Cosulich shipping companies (July 25, 1932); and the establishment of new conditions of employment for workers in the silk industry (June 5, 1933). Two decisions have been rendered by the Naples Labor Court: the establishment of new conditions of employment for manual workers and salaried employees of the Naples Aqueduct Company (November 30, 1931) and conditions of employment of workers in the food-preserving industry, as regards both material and moral conditions (May 31, 1932). The Milan Labor Court has taken one decision regarding three sets of collective regulations of wages for textile workers in the provinces of Como, Varese and Milan (July 21, 1933). The Turin Labor Court has fixed the wages of auxiliary workers in the rice fields of the province of Vercelli (April 27, 1933). The Bari Labor Court has passed on legal interpretation of collective labor contracts (August 13, 1930 and July 2, 1931). The Trieste Labor Court has fixed the cost of living index number which was to serve as a basis for wage reduction (February 15, 1930); the Catanzaro Labor Court has defined the legal character of trade associations and corporations (February 3, 1931); and the Venice Labor Court has ruled on total remuneration for work performed in the course of a year (December 24, 1931). "The Settlement of Labour Disputes in Italy," cited, p. 518-519.

52. Rosenstock-Franck, *L'Economie Corporative Fasciste en Doctrine et en Fait*, cited, p. 181, 202.

53. "The Settlement of Labour Disputes in Italy," cited, p. 520.

54. *Lavoro Fascista*, December 8, 1932.

55. For a summary of this decree, cf. *News Notes on Fascist Corporations*, October 1934, cited, p. 4.



vantage in the class struggle which may eventually take place.<sup>56</sup>

To this the Fascists reply that no organizations, economic or political, can exist outside the state, and that only syndicates and corporations committed to Fascist ideals should be permitted to participate in the regulation of production. Fascism prides itself on having transformed the syndical association, "critical and polemical in character," into a public institution devoted to national ends.<sup>57</sup> The interests of workers and employers, according to Fascism, must never threaten the economic equilibrium of the state, and syndical organization is justified on the ground that it maintains a balance between the two groups. Fascism does not deny the existence of conflicts between workers and employers. It believes, how-

ever, that such conflicts may cause incalculable injury to the state, and must in all cases be settled by resort not to violence but to conciliation and judicial procedure. The class struggle, according to Mussolini, is a luxury which a poor country like Italy cannot afford. He believes that only a long period of social peace will enable Italy to overcome its inferiority in natural resources and assume in world affairs the place to which it is entitled by its glorious past.<sup>58</sup> If Italy can recapture the rôle of world leadership by peaceful means, the Italian people will be ready "to adorn the barrels of their guns with olive branches."<sup>59</sup> If not, then the corporative system will prepare the entire nation for waging a successful war by coordinating and disciplining its economic forces in time of peace.<sup>60</sup>

### CONCLUSION

It may be seen from the foregoing analysis that Fascism has preserved the forms and methods of capitalist production and distribution, but has subjected them to the control of an all-powerful political dictatorship personified by Mussolini, who believes that only strict economic discipline can equip Italy for the tasks of both peace and war. *Il Duce* has indicated that state capitalism is his ultimate goal, but has not revealed how this goal is to be achieved without sacrificing private initiative, which Fascism has hitherto considered the mainspring of economic activity. Both employers and workers have been regimented in syndical organizations whose leaders are designated by the Fascist party, and have been prohibited from staging strikes or lockouts in defense of their interests, which are subordinated to those of the nation as defined by the Fascist party. Neither group may be said to enjoy economic self-government. The employers, however, have in practice exercised greater influence than the workers, both on their own organizations and on the country's economic life. The two groups have been linked by twenty-two corporations, which Fascists regard as a revolutionary step on the road from capitalism to a new corporative order. These corporations have not yet been entrusted with authority over economic and social matters, which are directly controlled by the political organs of the government, and have been given only technical functions similar to those exercised by economic councils in non-Fascist countries.

American critics of both right and left have compared the New Deal with the Italian corporative system, arguing that the Roosevelt administration, like Mussolini, has sought to group industries along corporative lines and has undertaken to control or regulate industry, agriculture, credit and other branches of economic activity. Supporters of the New Deal admit that its economic framework bears a certain outward resemblance to Fascism. They declare, however, that unlike Fascism, it does not seek to set up a political dictatorship but, on the contrary, attempts to introduce economic democracy, which political democracy of the pre-Roosevelt era had failed to achieve. In support of this thesis it may be pointed out that, in contrast to Fascism, the Roosevelt administration, while assuming extraordinary emergency powers, has not deprived representative assemblies of their authority; has not interfered with the freedom of the press; has not abolished labor organizations; and has not prohibited strikes and lockouts, although it has sought to prevent them by urging capital and labor to resort to arbitration and conciliation.

Comparisons of the New Deal and Italian Fascism, however, are misleading unless their economic activities, as well as economic framework, are examined. The situation which has confronted Italy during the world crisis, and the methods which Fascism has used to mitigate it, will be discussed in the next issue of *Foreign Policy Reports*.

56. Cf. Halder, *Capital and Labor under Fascism*, cited; Rosenstock-Franck, *L'Economie Corporative Fasciste en Doctrine et en Fait*, cited.

57. *L'Organisation Syndicale et Corporative Italienne*, cited, p. 159.

58. Speech of December 20, 1923. *La Nuova Politica dell'Italia* (Milan, Imperia, 1924), Vol. II, p. 136.

59. Mussolini, speech of October 6, 1934, cited.

60. "Nazione Guerriera e Stato Corporativo," *Corriere della Sera*, December 14, 1934.